

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2003-251-G - ORDER NO. 2003-588

OCTOBER 1, 2003

IN RE: Application of Piedmont Natural Gas Company, Inc. for Approval of Modified Demand Cost Allocation Factor.) ORDER GRANTING) INTERIM ACCOUNTING) TREATMENT
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This matter comes before the Public Service Commission of South Carolina (the Commission) on the request by Piedmont Natural Gas Company, Inc. (Piedmont or the Company) for an interim accounting order in this Docket.

Piedmont's Amended Petition requests approval by this Commission of a prospective modification of the demand gas cost allocation factor applicable to Piedmont's operations in South Carolina. Order No. 2002-761, issued on November 1, 2002, adopted a revised method, the "design day," for calculating the demand gas cost allocation factor applicable to Piedmont's operations within South Carolina. The demand gas cost allocation factor that resulted from the application of the revised methodology to Piedmont's test period demand gas costs in Order No. 2002-761 was 22.3%. When this factor was applied to Piedmont's test period demand gas costs, the result was a demand gas cost allocation to South Carolina of \$19,498,597. Since the effective date of that determination, Piedmont has entered into a Stock Purchase Agreement with Progress Energy for the acquisition of North Carolina Natural Gas Corporation (NCNG). NCNG will be merged into Piedmont. At the time of closing, on or about October 1, 2003, or

shortly thereafter, NCNG's existing gas supply and transmission capacity contracts will be assigned to/assumed by Piedmont. Following closing, Piedmont intends to operate its North Carolina and South Carolina properties on an integrated basis for the purchase of gas supply, transmission capacity, and similar functions much as it presently does.

As the result of the acquisition and merger, the "design day" allocation of Piedmont's demand gas costs as between North Carolina and South Carolina will change because of the additional design day requirements of former NCNG customers. Piedmont needs authorization from this Commission to modify its demand gas cost allocation factor applicable to South Carolina to reflect Piedmont's acquisition of and merger with NCNG, effective as of the closing date of the acquisition/merger.

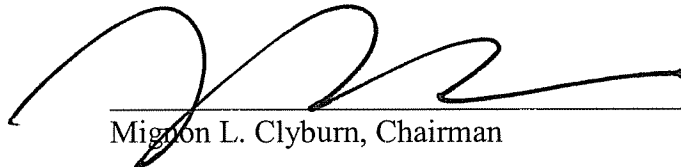
Piedmont states in its Amended Petition that it understands that various parties may have questions regarding the basis for and potential impacts of the request and that a hearing may be deemed appropriate in order to address these issues. Piedmont has no objection to a hearing, but requests an interim accounting order authorizing Piedmont to defer, pending and subject to a final order in this proceeding, any difference between the demand gas costs that would be allocated to South Carolina customers under the existing approved allocation factor and the modified allocation factor requested, such that Piedmont may account for its demand gas costs, on an interim basis, consistent with the relief sought herein.

We have examined this matter, and grant Piedmont's request for the interim accounting order for the reasons stated by Piedmont. We agree that Piedmont should be able to defer, subject to our final order in this Docket, any difference between the demand

gas costs that would be allocated to South Carolina customers under the existing approved allocation factor and the modified allocation factor requested in the Amended Petition, such that Piedmont may account for its demand gas costs on an interim basis, consistent with the relief sought in the Amended Petition. We hereby issue the interim accounting order herein as requested, which shall be effective October 1, 2003. We think that the interim order is reasonable to safeguard the interests of both the Company and the ratepayers. This interim order is, of course, subject to the provisions of the final order that we will issue in the Docket.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Migdon L. Clyburn, Chairman

ATTEST:



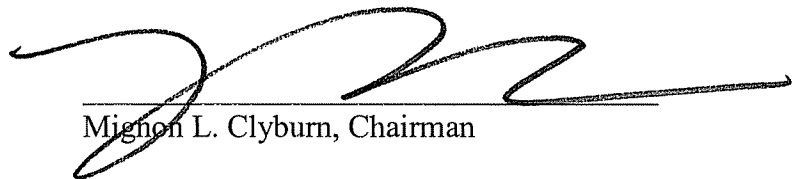
Gary E. Walsh, Executive Director

(SEAL)

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